

# City of Detroit

## CITY COUNCIL

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TO: C. Beth DunCombe, Director  
Detroit Building Authority

FROM: Irvin Corley, Jr., Fiscal Analyst Director

DATE: April 28, 2009

RE: 2009-2010 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2009-2010 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, April 30, 2009 at 2:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General's Office  
Pamela Scales, Budget Department Director  
Joe Harris, Chief Financial Officer  
Renee Short, Budget Department Team Leader  
Gloria Caliman, Head Accountant-DBA  
Arese Robinson, Mayor's Office

## **Detroit Building Authority**

### **FY 2009-10 Budget Analysis by the Fiscal Analysis Division**

#### **Detroit Building Authority Summary**

The City of Detroit Building Authority was created by the city under the provisions of Act 31, Public Act of Michigan of 1948, as amended. The Authority was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating and maintaining city buildings (including but not limited to health and public safety facilities), automobile parking lots or structures (independently or adjunct to other buildings) and recreational facilities.

The Authority is authorized, by statute, to issue bonds to finance its activities. The bond principal and interest are to be paid, among other sources, through cash rental payments made by the city to the Authority. The city leases the facilities under a Full Faith and Credit General Obligation Contract of Lease with the Authority. When all bonds issued by the Authority have been retired, titles to several of the facilities are to be conveyed to the city.

The Authority generates its funding by charging an administrative fee, a percentage of each project and it is included in the project contract and project budget between the DBA and the city. Since the DBA staff are appointed by the Mayor and are quasi-city employees, they appear in the Non-Departmental budget in Appropriation 00277 - Detroit Building Authority. The appropriation budgeted for employee salaries and benefits is 100% revenue offset to the General Fund. The recommended budget is \$993,199 for this appropriation for FY 2009-10 (see attached).

#### **Special Commercial Area Maintenance Summary**

A second aspect of the DBA had been the Special Area Maintenance (SAM) Program. The DBA committed to "beautify" several commercial areas throughout the city with special lighting, landscaping, etc.

Initially, the SAM program was funded with tax levy as authorized under P.A. 31 (of 1948) and the 1980 agreement between the City of Detroit and the Detroit Medical Center Corporation (DMCC) with respect to the operation of Detroit Receiving Hospital. The debt on the Detroit Receiving Hospital bonds was retired during FY 1993-94 and the DBA ceased being a taxing authority beginning July 1, 1994. After that, the only remaining revenue stream for SAM was the collection of prior years delinquent taxes. In FY 1999-00, due to a lack of funds to maintain the SAM program, the Administration developed an exit strategy. The exit strategy to "wind down the SAM Program", includes the removal of special light fixtures and decorative pavement bricks in the SAM areas concluded in the 2004-05 FY.

In the recommended 2005-06 FY Budget, the SAM budget was eliminated, since the last of the fixtures in the last five areas left of the formerly 19 SAM areas were dismantled in the 2004-05 FY.

## Issues and Questions

In the 2009-10 FY, the DBA budget decreases slightly by \$81,922 (7.6%). The decrease is due primarily to a \$71,796 decrease in salary & wages, an \$8,840 decrease in employee benefits and a \$1,286 decrease in Operating Service.

The Mayor has not recommended any personnel changes for the DBA in the 2009-10 FY.

The DBA has 9 FTE's (Full-time equivalent employees).

### **Pg 35-17 Major Initiatives For FY 2008-09**

#### **Web-based Project Management System**

The DBA states that it launched a Web-based management system on December 11, 2008. Amongst the innovations this system will provide, the DBA states the system will eliminate redundant work and processes and will thereby provide a more efficient use of staff time.

- To-date how has the implementation of the Web-based management system impacted the day-to-day operation of DBA?
- Has the implementation of the Web-based management system provided the DBA with any operational cost savings? If so, how much is projected in the current fiscal year? If not, why?

### **Pg 35-17 Major Initiatives For FY 2008-09**

#### **Facilities Asset Management**

The Facilities Asset Management initiative is in a pilot project phase, what's the current status of this initiative and what is the projected impact on the City departments that will be trained under this initiative and also, how will this initiative impact the daily operations and efficiency of the DBA?

What was the level of the DBA-Administrative Fund at the beginning year at July 1, 2008? Was it at a surplus or deficit?

- What are the DBA-Administrative Fund Expenditures and Revenue for the fiscal year ended June 30, 2008?
- What is the surplus/deficit for the DBA-Administrative Fund for the fiscal year ended June 30, 2008?

**Pg 35-18 Planning for the future for FY 2009-10, FY 2010-11 and Beyond:**

**Energy Master Plan**

Building "Green" is the future of all construction according to the DBA. The State and Federal Governments have instituted mandated LEED (Leadership in Energy and Environmental Design) standards, a "Green" building rating system.

- Will the DBA have access to Federal funds for City projects built under LEED standards?

**Pg 35-19 Performance Measure- Outputs: Units of Activity directed toward Goals**

	2006-07 Actual	2007-08 Actual	2008-09 Projected	2009-10 Target
Improving facilities for Recreation Dept., Police Dept., Health & Wellness Dept., & Fire Dept.	100%	45%	40%	90%

- The target for FY 2009-10 for the objective detailed above increases to 90% from the projected 40% of FY 2008-09. What is the basis for the increase and why were the levels so low (45% & 40%) in the two prior fiscal years?

**Pg 35-20 Performance Measure- Efficiency: Units of Activity directed toward Goals**

	2006-07 Actual	2007-08 Actual	2008-09 Projected	2009-10 Target
Construction of new Police facilities	50%	50%	70%	90%

- The target for the objective detailed above also increases to 90% in the 2009-10 FY, from the projected 70% in the 2008-09 FY, higher than any of the past three fiscal years. What is the rationale for this increased target for the 2009-10 FY?

What impact has Executive Order 2007-1 had on the DBA and its work with contractors?

The Administration has elected to not sell bonds to fund the capital improvement program for fiscal years 2007-08 and 2008-09, and not include a capital improvement program in the 2009-10 budget. What impact will this have on the operations of the DBA? Please provide a listing of ongoing capital projects the DBA is working on. The lack of bond funds for three fiscal years will impact the status of these projects. Please provide a list of any projects that do not get started because of the lack of bond monies for three years.

IC:DH

Attachment

## **NON-DEPARTMENTAL (35)**

### ***DETROIT BUILDING AUTHORITY ACTIVITY INFORMATION***

#### **ACTIVITY DESCRIPTION: DETROIT BUILDING AUTHORITY**

The Detroit Building Authority administers capital improvement projects for city departments, utilizing their capital improvement funds, in order to enhance the City's ability to deliver quality and efficient services to its citizens.

The Detroit Building Authority (DBA) is primarily responsible for administering capital projects, as determined by each respective city department, with identified capital funds. Critical functions include; encumbering funds through Contract of Lease; managing the bid, RFP/RFQ process; issuing contract awards; securing the necessary clearances; advising contractors of Executive Order 2007-1 requirements; execution of contract documents; monitor design development and construction for each DBA capital project; review and approve contract invoices; oversee payments to vendors.

#### **GOALS:**

1. Provide efficient, quality and user-friendly services to city departments
  - Offer meaningful information to help city departments carry out their capital plans.
  - Advise city departments on the benefits of being proactive in their long-term development and management of their projects.
  - Continue staff training in new and innovative financial and construction management techniques.
  - Manage project information and provide meaningful updates to city departments.
  - Process contracts and payments in a timely manner.
2. Accelerate Economic & Business Development
  - Improve the business climate by attracting and utilizing Detroit based, Detroit headquartered businesses.
3. Continue to support and focus on the Mayor's strategic priorities
  - Assist city departments with improving public safety.
  - Assist city departments with improving city services.

#### **MAJOR INITIATIVES FOR FY 2008-09:**

##### **Web-based Project Management System**

The DBA has launched officially a web based project management system on December 11, 2008. This software tool is used to manage multiple projects or a single project in real time and allows the user to quickly access and assess the current status. The user also can review budgets between project types or locations, and review pictures of the project. Information can be documented for the purpose of exchange between project members. The system allows electronic signatures and copies of contracts to be stored, which will eliminate redundant work processes, thereby providing more efficient use of staff time. Project information has been downloaded into the system for all current projects. This provides the background for future benchmarking of DBA goals and objectives.

##### **Facilities Asset Management**

Continue to implement a DBA pilot program for facilities asset management, utilizing nationally recognized guidelines to maintain facilities as a capital asset. This methodology known as "Facilities Asset Management" establishes a systematic process for maintaining, upgrading, and operating facilities.

The next phase of implementation is providing education to city departments on the merits of facilities asset management. Although the DBA is not involved in the daily operation and maintenance of facilities, we maintain our commitment to providing useful input on methodologies that can be incorporated in future capital planning.

It is the intent of the DBA to incorporate facilities asset management methodologies along with green building principals into our facility planning guidelines. The guidelines will be issued to our architects and engineering professionals.

City departments will have the option to accept the DBA's recommendations regarding facilities asset management.

## **NON-DEPARTMENTAL (35)**

The challenge for city departments will be their ability to commit more funds upfront that save operation and maintenance costs over the life of the facility.

The Detroit Building Authority has instituted a policy of using LEED guidelines as outlined by the United States Green Building Council for all of our new construction and building renovations projects. The Leadership in Energy and Environmental Design (LEED) Green Building Rating System™ is the nationally accepted benchmark for the design, construction, and operation of high performance green buildings. These LEED building guidelines, (also known as building “Green”), are for using durable, long-lasting, energy-efficient, low maintenance building products that are healthful to the environment and to the people who work inside and live around these facilities. With the institution of this policy the DBA is following a nationwide trend of building “Green” in the United States. Building “Green” will give our clients and citizens of Detroit better maintained facilities. Currently these guidelines are being implemented on the New Animal Control Hospital that will be erected on the City’s Eastside.

### PLANNING FOR THE FUTURE FOR FY 2009-10, FY 2010-11 and BEYOND:

#### Energy Master Plan

Building “Green” is not a trend, but the future for all construction. Universities, state agencies, and the federal government have all instituted mandated LEED guidelines for new construction and renovations. In building “Green”, the goal is to reduce waste and to become more efficient by understanding and identifying how energy mandate, funding for some projects could be tied to the proposed infrastructure using federal funds.

Michigan’s current renewable energy requirement is a 10% reduction in energy usage with renewable energy capacity of 1,100 megawatt by 2015. By building “Green”, the 10% reduction is attainable because all of the building components are efficient. However, to reach the renewable energy requirement, the monitoring of how energy is purchased along with receiving credit for using alternative energy (e.g. solar powered) is required.

## NON-DEPARTMENTAL (35)

### DETROIT BUILDING AUTHORITY MEASURES AND TARGETS

Type of Performance Measure:	2006-07	2007-08	2008-09	2009-10
List of Measures	Actual	Actual	Projection	Target
<b>Provide efficient, quality and user-friendly services to City Departments:</b>				
Development of DBA pilot program guidelines:				
Higher efficiency facilities	65%	65%	100%	100%
Implementation of new Project Management Construction Software:	50%	50%	70%	100%
"Building Green" using US Green Bldg. Council's LEED guidelines	20%	30%	50%	75%
Promote client satisfaction by providing technical expertise	95%	100%	100%	100%
Comply with ADA requirements for city departments and citizens:	100%	100%	100%	100%
<b>Accelerate Economic &amp; Business Development:</b>				
Contract Minority, Detroit Headquartered, and Detroit Based Businesses.	98%	98%	98%	98%
<b>Support the Mayor's strategic priorities:</b>				
Improving facilities for Rec. Dept., Police Dept., Health & Wellness Dept., & Fire Dept.	100%	45%	40%	90%
Construction of new police facilities (public safety)	50%	50%	70%	90%
<b>Activity Costs</b>	<b>\$1,005,130</b>	<b>\$1,027,383</b>	<b>\$1,075,121</b>	<b>\$993,199</b>

**CITY OF DETROIT**  
**Detroit Building Authority**  
**Financial Detail by Appropriation and Organization**

<b>Detroit Building Authority</b>	<b>2008-09 Redbook</b>		<b>2009-10 Dept Final Request</b>		<b>2009-10 Mayor's Budget Rec</b>	
	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>
<b>Detroit Building Authority</b>						
<i>APPROPRIATION</i>						
<i>ORGANIZATION</i>						
00277 - Detroit Building Authority						
350310 - Detroit Building Authority	9	\$1,075,121	9	\$1,101,641	9	\$993,199
<b>APPROPRIATION TOTAL</b>	<b>9</b>	<b>\$1,075,121</b>	<b>9</b>	<b>\$1,101,641</b>	<b>9</b>	<b>\$993,199</b>
<b>ACTIVITY TOTAL</b>	<b>9</b>	<b>\$1,075,121</b>	<b>9</b>	<b>\$1,101,641</b>	<b>9</b>	<b>\$993,199</b>



**CITY OF DETROIT**  
**Budget Development for FY 2009-2010**  
**Appropriations - Summary Objects**

	<b>2008-09</b>	<b>2009-10</b>	<b>2009-10</b>
	<b>Redbook</b>	<b>Dept Final</b>	<b>Mayor's</b>
		<b>Request</b>	<b>Budget Rec</b>
<b>AC1535 - Detroit Building Authority</b>			
<i>A35000 - Non-Departmental</i>			
SALWAGESL - Salary & Wages	634,568	625,302	562,772
EMPBENESL - Employee Benef	397,319	434,391	388,479
PROFSVCSL - Professional/Cor	0	0	0
OPERSVCSL - Operating Servic	40,234	38,948	38,948
OTHEXPSSL - Other Expenses	3,000	3,000	3,000
<i>A35000 - Non-Departmental</i>	<i>1,075,121</i>	<i>1,101,641</i>	<i>993,199</i>
<b>AC1535 - Detroit Building Authority</b>	<b>1,075,121</b>	<b>1,101,641</b>	<b>993,199</b>
<b>Grand Total</b>	<b>1,075,121</b>	<b>1,101,641</b>	<b>993,199</b>